

VZCZCXRO2343

PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDF RUEHIK RUEHLH RUEHLN RUEHLZ
RUEHPW RUEHROV RUEHVK RUEHYG
DE RUEHAH #0926/01 2031251
ZNR UUUUU ZZH
P 211251Z JUL 08
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 1201
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY
RUCNCIS/CIS COLLECTIVE PRIORITY
RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0401
RUEHAK/AMEMBASSY ANKARA PRIORITY 4055
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1872
RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0196
RUEHKO/AMEMBASSY TOKYO PRIORITY 1739
RUEHIT/AMCONSUL ISTANBUL PRIORITY 2308
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY

UNCLAS SECTION 01 OF 03 ASHGABAT 000926

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EEB
PLEASE PASS TO USTDA DAN STEIN
ENERGY FOR EKIMOFF/THOMPSON
COMMERCE FOR HUEPER

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [EAID](#) [EPET](#) [AJ](#) [TX](#)

SUBJECT: TURKMENISTAN: OIL AND GAS MINISTER EAGER FOR
ENGAGEMENT WITH THE UNITED STATES

REF: A. ASHGABAT 343
[1](#)B. ASHGABAT 332
[1](#)C. ASHGABAT 286

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (SBU) SUMMARY: During meetings on July 16, Turkmenistan's Minister of Oil and Gas, Baymurat Hojamammedov, offered U.S. Trade and Development Agency (USTDA) Regional Director Dan Stein and Department of Energy Director for Russian and Eurasian Affairs Lana Ekimoff a largely by-the-book overview of Turkmenistan's hydrocarbon sector. He said discussions with Azerbaijan are going well, and that the two sides have resolved many issues. He predicted that an ongoing Gaffney-Kline audit will estimate Turkmenistan's hydrocarbon reserves to be 7 trillion cubic meters. Bucking recent indications that Turkmenistan is re-thinking its "we'll-do-it-ourselves" strategy for development of its onshore natural gas fields, Hojamammedov also adhered to the party line on allowing foreign companies to work onshore. But he became substantially more expansive during a follow-on meeting on July 17 to discuss cooperation, expressing eagerness to send students to U.S. universities on a pay basis. And, while he requested that the terms of reference for a USTDA proposal to conduct a feasibility study for establishing a petrochemical industry be expanded to include a broader chemical industry, it was clear that he is eager for the study and the expertise it will bring to bear. END SUMMARY.

[1](#)3. (SBU) Stein and Ekimoff visited Turkmenistan July 16-17 to explore possibilities for possible further USTDA and Department of Energy engagement with Turkmenistan. In particular, Stein wanted to discuss a proposal for a feasibility study for establishing a petrochemical industry in Turkmenistan that the Minister Hojamammedov had said he wanted during a February visit (reftels). During meetings on

July 16, Hojамuhammedov offered an overview of Turkmenistan's hydrocarbon sector, but opted to withhold concrete discussion of programs until a follow-on meeting on July 17.

WE HAVE RESOLVED MANY ISSUES WITH AZERBAIJAN

14. (SBU) With some prompting from Stein, the minister told Stein on July 16 that there has been a steady flow of experts going back and forth between Baku and Ashgabat, including the Chairman of Azerbaijan's SOCAR. The two sides have resolved many issues, though not that of dividing the Caspian. Now, they are preparing for the September 9-10 joint oil and gas conference in Baku. While Turkmenistan will be sending a large delegation, Hojамuhammedov has asked to stay behind to work on plans for Hydrocarbon Workers Day on September 13 and on another conference, on fishing, that Turkmenistan will hold at the same time as the Baku conference.

THE AUDIT WILL SHOW RESERVES OF 7 TRILLION CUBIC METERS

15. (SBU) Hojамuhammedov told Stein that Turkmenistan estimates that its reserves are contained in some 140-150 gas fields. In general, its production has been 70-80 billion cubic meters (bcm) per year, depending on demand. Recently, Turkmenistan has started working two new fields at South Yoloten and Osman, where the gas is located under a thick salt layer. While Turkmenistan had problems drilling through the salt layer, it finally succeeded in doing so in 2005, and found high-pressure gas. Further exploratory drilling has shown that the two fields in fact belong to the same vast field, which the government has estimated holds 4 trillion

ASHGABAT 00000926 002 OF 003

cubic meters of gas. In addition, the government is finding some encouraging indications in its field at Garajalyk. Hojамuhammedov predicted that an ongoing audit by Gaffney-Kline will show that Turkmenistan has total natural gas reserves of 7 trillion cubic meters. He expects that the audit will be completed in September or October.

16. (SBU) Returning later to this issue when Stein advocated allowing foreign petroleum companies to work in Turkmenistan's onshore oil companies, Hojамuhammedov claimed that his country can increase production if there is sufficient demand. Development of South Yoloten alone will increase production by 50-60 bcm per year. Adhering closely to the official line that Turkmenistan will only consider foreign involvement in a service capacity, he claimed that working its own reserves will allow his country to get a return on its investment sooner.

CASPIAN LITTORAL PIPELINE ON SCHEDULE

17. (SBU) Hojамuhammedov denied that the lack of references during Russian President Medvedev's visit to Turkmenistan signals that the Caspian littoral pipeline to Russia is in trouble. Rather, he said, nobody discusses it because work is underway. Working groups from Russia, Turkmenistan and Kazakhstan meet with each other, and Turkmenistan and Kazakhstan have both ratified the agreement. Turkmenistan expects the pipeline's construction to begin in 2009. Hojамuhammedov also stated that Gazprom and Turkmenistan have yet to agree to a 2009 price for natural gas, although the two sides are moving closer. Hojамuhammedov ducked Stein's question on Gazprom's proposed price, stating that the discussions are confidential, and was disappointed when Stein refused to pass on the price the Russians suggested to Azerbaijan.

TURKMENISTAN WANTS TO SEND STUDENTS TO U.S. ON A PAY BASIS

18. (SBU) During a two-hour follow-on meeting on July 17, the minister told Ekimoff that his ministry is still interested in following up on many of the proposed activities on the Department of Energy's one-year engagement plan. He was particularly enthusiastic about the prospect of sending

Turkmen students to U.S. universities, and requested more information about the cost. Turkmenistan, he said, is willing to pay tuition, as will do for 100 students that it will be sending to Russian schools.

REQUEST TO WIDEN TERMS OF REFERENCE

¶9. (SBU) The minister then turned to the USTDA draft grant. Although the USTDA grant proposal has received general agreement from the Cabinet of Ministers, the minister requested that Stein change the terms of reference to reflect the establishment of not just a petrochemical industry, but also a larger chemical industry. He justified the request by stating that Turkmenistan has already made a decision to build a petrochemical plant next to the old refinery at Seydi. His country has also thoroughly analyzed what it can produce and use, as well as refining techniques. Turkmenistan has concluded that its two oil refineries are enough to fulfill its projected domestic and export needs. For that reason, the Ministry of Oil and Gas would find a wider study more useful. At Stein's request, the minister agreed to submit language modifying the terms of reference, which would better help USTDA understand what Turkmenistan wants. But Stein promised to consider all modifications that Hojamammedov proposed, including new wording that would

ASHGABAT 00000926 003 OF 003

ensure that the minister does not bear any responsibility for verifying the list of expenses submitted by the contractor when he submits his invoice for the final report. (COMMENT: We believe that this may be out of concern that he could fall victim to scrutiny of the program by Turkmenistan's Supreme Auditing Chamber, a new GAO-type body. END COMMENT.)

¶10. (SBU) COMMENT: Hojamammedov clearly wants -- badly -- the expertise and advice that the USTDA study can provide. Having been forced to make a political decision to save the Seydi refinery (the older of the two refineries that he mentioned -- see ref a), however, he is clearly afraid that the study will show that decision to have been a bad one. Seydi is isolated in the eastern part of the country, far from the facility's most likely foreign markets -- or even most domestic markets. However, by broadening the study's scope, he probably believes that he can end up with a product that he can use but that does not focus so heavily on Seydi.

¶11. (SBU) COMMENT CONTINUED: Most interesting was the difference in dynamics between the two meetings. At the end of the approximately two-hour July 17 meeting, Hojamammedov told Stein that he had intended to just show up for the first few minutes, and then turn the meeting over to his deputy. It was clear throughout the meeting on the 17th, however, that Hojamammedov enjoyed the give-and-take with Stein. We suspect the biggest factor that led him to stay may have been the absence of a Ministry of Foreign Affairs minder (who was present at the July 16 meeting). The MFA's presence may also have explained just why the July 16 meeting was so by-the-book. END COMMENT.
CURRAN